

## REVENUE DEPARTMENT[701]

### Notice of Intended Action

**Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”**

**Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.**

Pursuant to the authority of Iowa Code sections 421.14 and 422.68, the Department of Revenue hereby gives Notice of Intended Action to amend Chapter 71, “Assessment Practices and Equalization,” Iowa Administrative Code.

The subject matter of rule 701—71.3(421,428,441) is the valuation of agricultural real estate. The proposed amendment to this rule requires the assessor to adjust non-cropland in distributing agricultural productivity valuation to each parcel. The adjustment shall be applied to non-cropland with a corn suitability rating that is greater than 50 percent of the average corn suitability rating for cropland for the county.

This amendment is proposed to address the lack of uniformity in the distribution of agricultural productivity value at a parcel level across the state of Iowa. The amendment to subrule 71.3(1) adds a requirement that the assessor adjust non-cropland in distributing agricultural valuation to each parcel and provides an example of the calculation used to compute the adjustment required under this subrule. The amendment also allows a taxpayer to apply to the county for the adjustment to non-cropland beginning with the 2014 assessment and until the county’s full implementation of this subrule.

The proposed amendment will not necessitate additional expenditures by political subdivisions or agencies and entities which contract with political subdivisions.

Any person who believes that the application of the discretionary provisions of this amendment would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any.

Pursuant to Executive Order Number 80, the Director of the Department of Revenue formed a stakeholder group to review this proposed amendment to subrule 71.3(1). The stakeholder group was made up of impacted stakeholders that included members from the following groups: Iowa Association of Assessors, Iowa Cattlemen’s Association, Iowa Corn Growers Association, Farm Bureau, Iowa Natural Heritage Foundation, Iowa Soybean Association, and a farmer representative. The stakeholder group made five recommendations, three of which the Department incorporated into this proposed amendment.

The Department included the stakeholder group’s recommendation to add an example of the calculation used to compute adjustment on land defined as non-cropland. The Department also included the recommendation to have an implementation deadline for the 2017 assessment year but allow a hardship waiver that would extend the implementation deadline to the 2019 assessment year. Finally, the Department included the recommendation to allow a taxpayer to apply for the adjustment as set out in subrule 71.3(1) for the 2014 assessment year and subsequent years until full implementation of this subrule.

The Department declined to include the stakeholder group’s recommendation to begin determinations of cropland and non-cropland with the determinations from the 2008 USDA Farm Service Agency Common Land Unit layer with adjustments moving forward for changes that have occurred; this recommendation is already within the proposed amendment. The Department also declined to include the recommendation for further adjustments to be allowed for non-cropland producing insignificant or zero income when it is maintained in conservation vegetation in cooperation with a federal, state, or local conservation agency because this recommendation is contrary to the intent of this proposed

amendment, which is to address the lack of uniformity in the distribution of agricultural productivity value at a parcel level across the state of Iowa.

Any interested person may make written suggestions or comments on this proposed amendment on or before April 9, 2013. Such written comments should be directed to the Policy Section, Taxpayer Services and Policy Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306.

Persons who want to convey their views orally should contact the Policy Section, Taxpayer Services and Policy Division, Department of Revenue, at (515)281-8036 or at the Department of Revenue offices on the fourth floor of the Hoover State Office Building.

Requests for a public hearing must be received by April 9, 2013.

After analysis and review of this rule making, a positive impact on jobs could exist.

This amendment is intended to implement Iowa Code sections 441.17, 428.4, and 441.21.

The following amendment is proposed.

Amend subrule 71.3(1) as follows:

**71.3(1) Productivity.**

*a.* In determining the productivity and net earning capacity of agricultural real estate, the assessor shall also use available data from Iowa State University, the United States Department of Agriculture (USDA) National Agricultural Statistics Service (NASS), the USDA Farm Service Agency (FSA), the Iowa department of revenue, or other reliable sources. The assessor shall also consider the results of a modern soil survey, if completed. The assessor shall determine the actual valuation of agricultural real estate within the assessing jurisdiction and ~~spread~~ distribute such valuation throughout the jurisdiction so that each parcel of real estate is assessed at its actual value as defined in Iowa Code section 441.21.

*b.* In distributing such valuation to each parcel under paragraph 71.3(1)“a,” the assessor shall adjust non-cropland. The adjustment shall be applied to non-cropland with a corn suitability rating (CSR) that is greater than 50 percent of the average CSR for cropland for the county. The adjustment shall be determined for each county based upon the five-year average difference in cash rent between non-irrigated cropland and pastureland as published by NASS. The assessor may utilize the USDA FSA-published Common Land Unit digital data or other reliable sources in determining non-cropland. Counties shall implement the adjustments under this paragraph on or before the 2017 assessment year. The department of revenue may, in a case involving hardship, extend the implementation of the adjustments required under this paragraph to the 2019 assessment year. No extension of time shall be granted unless the county makes a written request to the department of revenue for such action.

*c.* A taxpayer may apply to the county for the adjustment to non-cropland under paragraph 71.3(1)“b” beginning with the 2014 assessment and until the county’s full implementation of this subrule. Upon application, and subsequent approval by the assessor, the county assessor shall adjust non-cropland as provided in paragraph 71.3(1)“b.” Once a taxpayer applies for the adjustment, and upon approval, the assessor shall make the adjustment to the assessment year for which the application was submitted and until the county’s full implementation of this subrule, without the need to reapply for the adjustment.

*d.* EXAMPLE. The following is an example of the calculation used to compute adjustment on land determined to be non-cropland with a CSR that is greater than 50 percent of the average CSR for cropland for the county:

<u>Average county CSR rating for cropland</u>	<u>80 CSR</u>
<u>50% of average cropland CSR</u>	<u>40 CSR</u>
<u>Example of non-cropland soil 11b CSR rating</u>	<u>58 CSR</u>
<u>Non-cropland CSR points to be adjusted</u>	<u><math>58 - 40 = 18</math> CSR points</u>
<u>5-year average rent for non-irrigated cropland</u>	<u>\$163.60</u>
<u>5-year average rent for pasture land</u>	<u>\$48.30</u>
<u>Percent difference (rounded)</u>	<u><math>1 - (\\$48.30/\\$163.60) = 70\%</math></u>
<u>Apply the percent difference to points to be adjusted</u>	<u><math>18 \text{ CSR points} \times (1 - .70) = 5.40</math> adjusted CSR points</u>
<u>Adjusted CSR non-cropland</u>	<u><math>40 + 5.40 = 45.40</math> adjusted CSR points</u>